1994 ANNUAL REPORT

VINTAGE RESOURCE CORP.

Financial and Operational Highlights

Financial Highlights

Year ended September 30,	1994	1993	Change
Net Revenue	$ 3,786,358	$ 748,776	+406%
Net Revenue per Share	$ 0.357	$ 0.114	+213%
Operating Income	$ 2,469,720	$ 433,918	+469%
Operating Income per Share	$ 0.233	$ 0.066	+253%
Cash Flow From Operations	$ 2,099,561	$ 275,226	+663%
Cash Flow per Share	$ 0.198	$ 0.075	+165%
Net Income (after income tax)	$ 825,364	$ 66,300	+1145%
Net Income per Share (after income tax)	$ 0.078	$ 0.018	+333%

Operations Highlights

Year ended September 30,	1994	1993	Change
Average Daily Oil and NGL Production (BBLS)	271	69	+293%
Average Daily Natural Gas Production (MCF)	2,269	1,498	+52%
Average Sale Price per BOE	$ 20.81	$ 22.38	-7%
Average Cash Flow per BOE	$ 11.54	$ 8.22	+40%
Average Operating Cost per BOE	$ 5.83	$ 8.24	-29%
Average Netback per BOE	$ 13.58	$ 12.97	+4.7%

As of September 30,	1994	1993	Change
Daily Oil and NGL Production (BBLS)	374	118	+217%
Daily Natural Gas Production (MCF)	3,228	1,600	+102%
Proven and Probable Oil & NGL Reserves (MBBLS)	1,321.6	1,400	-5.6%
Proven and Probable Natural Gas Reserves (MMCF)	12,370	4,130	+200%

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Corporate Profile

Vintage Resource Corp. is a two-year-old emerging junior oil and gas exploration and development company with operations in the Western Sedimentary Basin. Our core properties, which are located in central and southern Alberta, provide a strong base with excellent opportunity for future growth. Our depth of experience gives us the ability to take advantage of opportunities. Vintage Resource Corp. trades on the Alberta Stock Exchange under the symbol VRU.

Mission Statement

We will strive to create value for our shareholders through efficient, effective and environmentally-conscious exploitation and exploration of our oil and gas resources.

REPORT TO SHAREHOLDERS

Vintage Resource Corp. is pleased to report that as a result of our cost-effective operations and a sound strategy of land acquisitions and development, the Company is on track to meet its production and financial objectives for the second operating year. Our fiscal year ended September 30, 1994 resulted in a number of achievements which are listed below:

As of September 30,

Production (BOEPD)

1994	1993	Change
697	278	+151%

Proven Reserves (MBOE)

1994	1993	Change
1,381	881	+57%

Present Value Discounted at 15% ($000)

1994	1993	Change
$18,580	$8,700	+114%

For 12 Months ended September 30,

Oil & Gas Revenue ($000)

1994	1993	Change
$ 3,786	$ 749	+406%

Cash Flow ($000)

1994	1993	Change
$ 2,100	$ 275	+663%

Net Income ($000)

1994	1993	Change
$ 825	$ 66	+1145%

In 1994, the Company maintained and increased its reserve base through acquisitions of producing gas properties at Figure Lake and Castor, Alberta, along with development drilling at its Liege property and a recompletion program at West Drumheller.

In December, 1993 the Company completed a $3,000,000 equity financing, using the funds to finalize an acquisition at West Drumheller, pursue development programs at West Drumheller and Liege and purchase the Figure Lake property. Subsequent to the year end, the Company's credit line was increased to $3,500,000.

Our corporate strategy is to attain strong crude oil and natural gas production and build a cost-effective facility base in our core areas, using these as a basis for future development. For instance, the Castor property has over 40 kilometres of gathering system in place which can be used to bring wells into production quickly. At Figure Lake, the gathering and processing facilities allow us to carry out an active exploitation program.

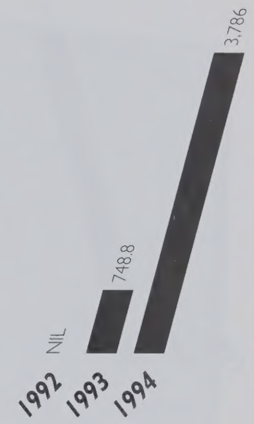
Next Phase of Growth

In the next phase of Vintage's growth, we will expand on this initial base with development and infill drilling on our key properties. Cash flow derived from current production will be used to establish other core areas and to consolidate our interests in our key areas by buying out minor partners. In addition, a portion of our cash flow will be allocated to exploration in new areas through farm-ins and land acquisitions. These acquisitions will be consistent with the Company's mandate of restricting bank debt to one year of cash flow. Combined, these measures will help broaden our production base.

Our corporate philosophy is to establish a reasonable goal and to focus on that goal until it has been achieved. Accordingly, our initial goal was to achieve production of 1,000 barrels of oil equivalent per day, divided evenly between crude oil and natural gas, with annual cash flow between $5,000,000 and $6,000,000 per year from five or six core properties. We note with some pride that as a result of our continuing drilling and acquisition programs, we are capable of achieving this important goal in the first quarter of 1995.

The Company's next goal is to achieve daily oil equivalent production of 2,000 barrels and cash flow in

Net Revenue
($000's)



Cash Flow
($000's)

excess of $10,000,000 per year. We believe this growth can be achieved by using our existing asset base to maximize the production potential of our existing reserves, and to provide financing for our long term exploration program.

Consistent with its corporate philosophy, Vintage is committed to allocating at least two-thirds of its cash flow and capital expenditures on acquiring production, expanding reserves and production volumes and reducing operating costs. In 1995, our capital budget is set at $3,600,000. Over the next few years, the majority of the Company's budget will be allocated to acquiring additional producing assets, drilling development wells and installing production facilities. As the Company matures, however, we intend to devote a larger percentage of the capital budget to exploration.

Cost-Efficient Operations

In addition, the Company's cost-efficient operations help to ensure the viability of our producing assets. Minimizing finding, infrastructure and operating costs allows us to complete our capital programs within pre-set budgets. This is only possible if we maximize our working interests so that we can operate our own properties. As operators, we can to a large degree determine our destiny by controlling costs as well as the scale and timing of projects. Currently, we operate three of our core properties and we are attempting to become operator in the fourth. In the fifth property, we have only one partner with whom we work closely on all operations.

In any given land area, the Company strives to minimize costs by maximizing use of field personnel and facilities. At West Drumheller, for instance, we reduced operating costs from $8 per barrel to $3 per barrel. Measures such as these result in improved margins that help fund the Company's development activities in a timely manner, and provide a stable base for future growth.

Despite our successful year characterized by increased sales, higher profits and higher operating margins, the Company experienced some disappointments. At Liege, the 1994 winter drilling program accomplished little more than maintaining production and reserves. However, a gas prone area that was identified on this property will be exploited during the 1995 winter drilling season. At West Drumheller, a horizontal well drilled to improve production from the Nisku formation, was off target and entered a depleted zone. A vertical well to test the Nisku formation was drilled and cased in December, 1994 and depending on the results will allow us to drill the next horizontal well in the spring of 1995.

Strong Team Assembled

Vintage expects to maintain continued growth as a result of the strength of its personnel. Vintage has assembled a team with oil and gas expertise in all disciplines and all phases of the industry, from technical engineering to management. In total, this experience exceeds 225 years for the Company's six principal team members. Our team is determined to succeed and is working hard to make our Company a success.

We look forward to 1995 with ever increased confidence that we can achieve our stated goals. We wish to thank our Board of Directors for their guidance, our staff for their consistent efforts and ideas and our shareholders for their support and patience.

Lloyd Driscoll
President, Chairman
and Chief Operating Officer

George Paulus
Chief Financial Officer
and Secretary-Treasurer
January 4, 1995

Strategy

Vintage Resource Corp. strives for sustained growth based on prudent acquisitions and a program of development drilling. We believe that even in mature crude oil and natural gas fields, the new technologies of enhanced drilling techniques and of advanced exploration techniques such as three-dimensional seismic, can maximize production returns. Vintage's operations' strategy is based on the following:

Location

Vintage has focused its operations in Central and Southern Alberta, where access to infrastructure and reasonable operating costs allow the Company to operate effectively and efficiently. Here, operations can be pursued on a year-round basis and facilities to transport and process the product are readily available. Consequently, production can be brought on stream immediately, resulting in accelerated cash flow.

Low-risk, Cost-effective Exploitation

The Company selects areas which have multiple-zone potential, shallow drilling depths and formations with strong potential for high deliverability. We concentrate on areas where the average cost to drill and complete a well is $300,000 or less.

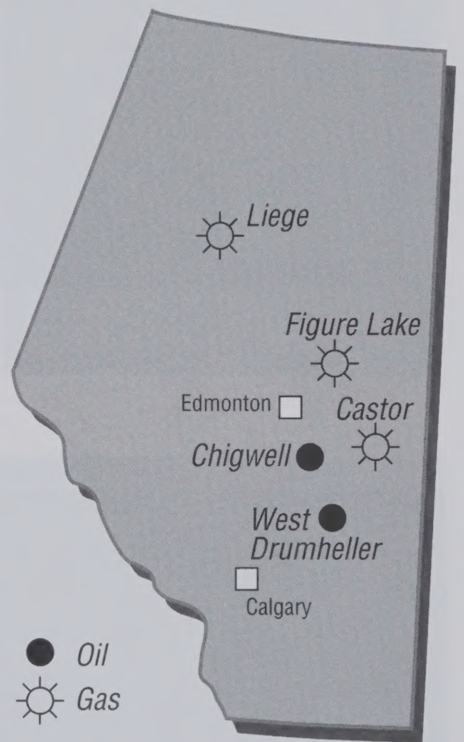
Operatorship

The Company believes it can become more efficient and cost- effective by obtaining operatorship and significant interests in its core areas.

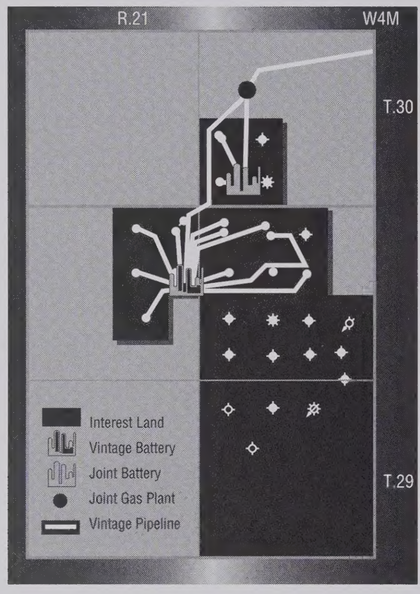
Infrastructure in Place

Ownership of facilities in core areas allows the Company to concentrate on geological exploitation on the basis that production can be placed onstream without risk of delays and excessive tie-in costs. Consistent with its strategy, the Company acquired two core area properties during 1994 at Figure Lake and Castor, Alberta. Both properties have facilities in place and infill drilling is currently underway.

Principal Producing Properties



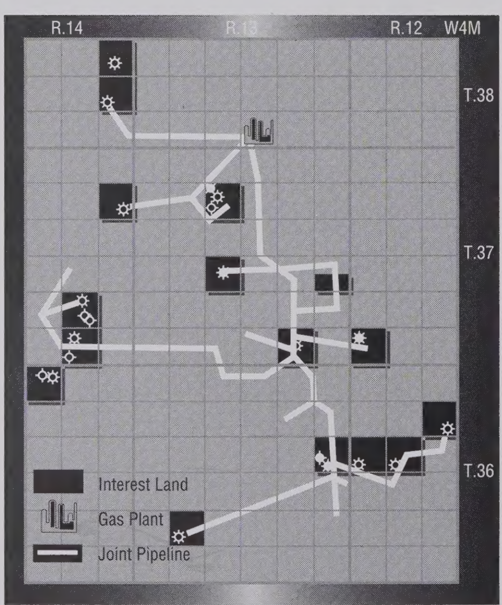
MAJOR OPERATING AREAS



WEST DRUMHELLER AREA, ALBERTA

Vintage has a 100 percent working interest in seven producing oil wells, a central tank battery and a field office. In addition, it has non-operated interests of 15 percent in four producing oil wells and battery and a 13.68 percent interest in a 3.0 million cubic feet per day solution-gas processing plant. As of September 30, 1994, the property accounts for 340 BOPD and 130 MCF/D or 50 percent of the Company's daily production. Gas is marketed through Western Gas Marketing Limited, while the oil is marketed with Shell Canada Limited. Primary producing zones include the Nisku and Leduc formations.

A non-operated well drilled to test the Leduc formation in early December, 1994 was cased and should be on production by January, 1995. In addition, a horizontal well is being considered for the spring of 1995.



CASTOR AREA, ALBERTA

Located in Central Alberta, Castor is the Company's latest acquisition, contributing 650 MCF/D or 9 percent of Vintage's daily production as of September 30, 1994. Gas is produced primarily from the Viking, Colony, Sparky, Bow Island, Basal Quartz and Hackett Sands which have high deliverability and excellent reservoir characteristics. The Company has an interest in 10,560 gross (8,640 net) acres of lands. Currently, the Company has a 100 percent interest in seven producing gas wells and a 50 percent interest in an additional three gas wells. Our 100 percent ownership in 40 kilometres of pipeline in the area allows us to gather gas for ourselves as well as other producers in the area. A well drilled in November, 1994 and scheduled to be onstream by January, 1995 will increase the Company's production from the area to 1,600 MCF/D. Gas sales are contracted with Pan Alberta Gas Ltd.

Liege Area, Alberta

The Company has an average 31.5 percent working interest in 62,000 gross (19,530 net) acres in the Liege area of Alberta which accounts for 1240 MCF/D or 18 percent of the Company's daily production as of September 30, 1994. The primary producing zones are the Grosmont and Wabiskaw Sand. Currently there are 7 (2.2 net) wells producing. The Company has a 33 1/3 percent interest in a processing plant with 10 million cubic feet per day capacity and 45 kilometres of gathering system.

This year's capital program in the area includes the drilling of at least five wells and the installation of a booster compressor to improve deliverability to the gas plant.

In addition, the Company has a five percent gross overriding royalty in seven producing Grosmont wells located on 4,480 acres of land situated six miles east of the major Liege property. These wells are producing into separate gathering and plant facilities. Production from this area adds an additional 350 MCF/D or five percent to the Company's daily production.

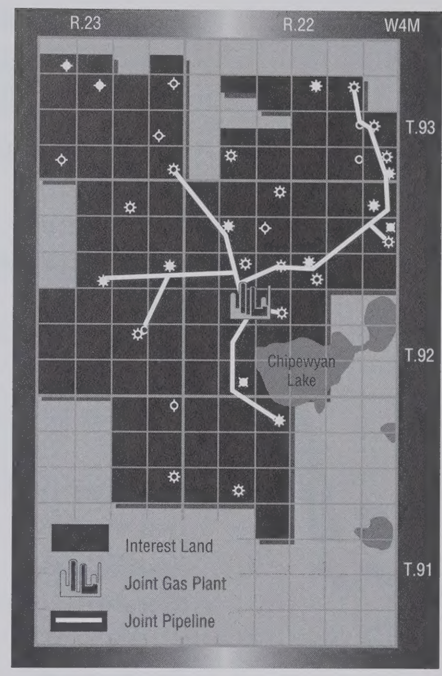
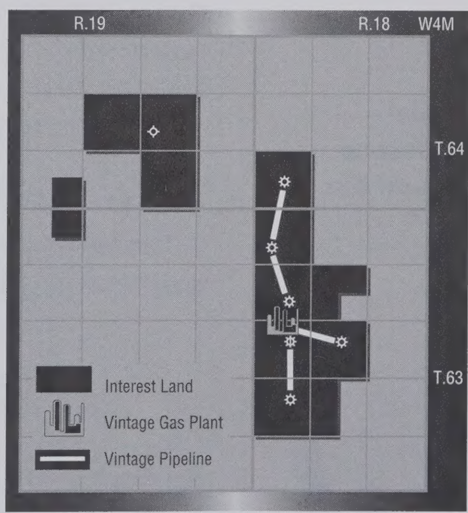


Figure Lake, Alberta

The Figure Lake area was purchased in March, 1994 and accounts for 860 MCF/D or 12 percent of the Company's daily production as of September 30,1994. The primary producing zones are the Colony, Viking, Wabiskaw and Glauconite. The Company has an interest in 6,720 gross (5,040 net) acres of petroleum and natural gas rights, including a 100 percent working interest in three producing gas wells and a 50 percent interest in an additional producing gas well. Our ownership includes a 100 percent working interest in the gathering and compression facilities. Gas is contracted with Pan Alberta Gas Ltd. Additional working interests and lands are being acquired in the area and a 100-percent-owned development well is planned for early 1995.



Chigwell Area, Alberta

The Company has a 25 percent working interest in two producing Nisku oil wells and a 16.667 percent interest in an oil battery in the Chigwell area. Production from the area contributes 22 BOPD or three percent of the Company's daily production as of September 30, 1994. In addition, the Company has a 25 percent working interest in two shut-in Viking wells.

In November, 1994 the Company acquired an additional 15 percent in the area and intends to take over operatorship of the wells and facilities to improve its potential value.

Production

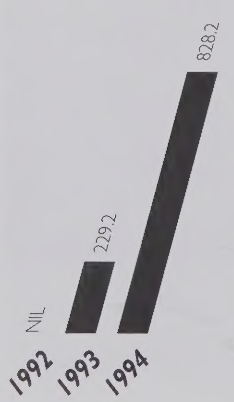
The following tables summarize the Company's annual production and average daily production over the last year compared to the previous year. Daily production as at September 30, 1994 and 1993 is summarized in the last table. All volumes are net of working interests owned by others and before deduction of Crown, freehold and other royalties.

Annual Production Crude Oil & NGLs (MBBLs)

Production Year ended September 30,	1994	1993
Annual		
Crude Oil (BBLS)	96,401	10,368
Natural Gas (MCF)	828,232	229,213
Natural Gas Liquids (BBLS)	2,702	158
Average Daily		
Crude Oil (BBLS)	264	68
Natural Gas (MCF)	2,269	1,498
Natural Gas Liquids (BBLS)	7.4	1.0

Production As at September 30,	1994	1993
Current Daily		
Crude Oil (BBLS)	365	115
Natural Gas (MCF)	3,228	1,600
Natural Gas Liquids (BBLS)	9.0	3.0

Annual Production Natural Gas (MMCF)



Reserve Reconciliation

The Company's proven reserves increased by 51% on a total BOE basis (506.7 MBOE) over year end September 1993 values. The following table summarizes the year-over-year reserve changes by category.

	Crude Oil and NGLs (MBBL)	Natural Gas (MMCF)	Total (MBOE)
Beginning Year, Oct. 1, 1993			
Proven Reserves	550.7	3,338	884.5
Net Production	(99.1)	(828)	(181.9)
Additions	135.6	5,530	688.6
Year End, September 30, 1994			
Proven Reserves	587.2	8,040	1,391.2

No proven reserves were included for wells drilled at Castor and West Drumheller, Alberta during the last quarter of 1994 which will increase reserves significantly.

Reserves and Future Net Revenue

Vintage's reserves of oil and natural gas have been evaluated as of October 1, 1994 by Coles Gilbert Associates ("Coles"). This evaluation covers 95% of reserves on current producing properties. Reserves on non-producing properties were evaluated by Vintage and incorporated into this report. The evaluation of future net production revenue is stated prior to any provision for income tax, overhead and interest costs.

Reserves

The evaluation of crude oil and NGLs and natural gas reserves is stated prior to any provision for royalties. Probable reserves have not been reduced to allow for risk. A summary of proven and probable reserves from Cole's report follows.

Oil & Natural Gas Liquids (MBBLS) as of October 1	1994	1993
Proven Producing	432.3	384.3
Proven Non-Producing	154.9	166.4
Probable (+)	734.4	849.3
Total	1,321.6	1,400.0
Reserve Life Index (Years)*	10.2	31.8

Natural Gas (BCF) as of October 1	1994	1993
Proven Producing	4.44	2.41
Proven Non-Producing	3.60	0.93
Probable (+)	4.33	0.79
Total	12.37	4.13
Reserve Life Index (Years)*	11.9	7.1

Future Net Revenue

The evaluation of future net production revenue is stated prior to any provision for income taxes, overhead and interest costs. It should not be assumed that the discounted net production revenue is representative of fair market value of the estimated oil and gas reserves. The following tables summarize Cole's report.

	Reserves (Before Royalties)		Discounted Value of Estimated Future Net Revenue			
			$ Millions (except per share values)			
	Crude Oil and NGLs (MBBLS)	Natural Gas (BCF)	0%	10%	15%	20%
Proven Producing	432.3	4.44	$ 11.32	$ 9.33	$ 8.57	$ 7.93
Proven Non-Producing	154.9	3.60	$ 8.26	$ 5.26	$ 4.35	$ 3.68
Total Proven	587.2	8.04	$ 19.58	$14.59	$ 12.92	$11.61
Probable (+)	734.4	4.33	$ 11.59	$ 6.96	$ 5.66	$ 4.69
Total	1,321.6	12.37	$ 31.17	$21.55	$ 18.58	$16.30
Per Share (x)	0.125 BBLS	1.17 MCF	$ 2.94	$ 2.03	$ 1.75	$ 1.54
Per Share (Fully diluted)	0.094 BBLS	0.88 MCF	$ 2.23	$ 1.54	$ 1.33	$ 1.16

+ Probable reserves have not been risk adjusted.
* Based on annualized fourth quarter production.
x Based on weighted average number of shares outstanding during the year.

Production

In 1994 production increased 127 percent to average 498 barrels of oil equivalent per day as a result of a full year of production from acquisitions made in 1993, plus successful exploitation programs made on these acquisitions in 1994.

Oil and natural gas liquids production was up 842 percent to average 271 barrels per day with an average sales price per barrel of $19.83. Natural gas production increased 51 percent to average 2.3 million cubic feet per day at an average sales price of $1.87 per thousand cubic feet.

Operating Income

Operating income increased 469 percent due to higher production volumes. The increase primarily reflects full year production from the prior year's acquisitions plus reduced operating costs.

Operating Income

Year Ended September 30	1994	1993
Petroleum and Natural Gas Revenue	$ 3,786,358	$ 748,776
Royalties	$ (255,576)	$ (39,121)
Production Expenses	$(1,061,062)	$ (275,737)
Operating Income	$ 2,469,720	$ 433,918
Sales Price per BOE	$ 20.81	$ 22.38
Royalty per BOE	$ 1.40	$ 1.17
Operating Cost per BOE	$ 5.83	$ 8.24
Netback per BOE	$ 13.58	$ 12.97

The average price received per barrel of oil equivalent was less in 1994 compared to 1993 as a result of a weakening in the natural gas prices during the summer of 1994.

The average royalty rate was higher in 1994 reflecting new acquisitions and recompletions.

Average operating costs on a per unit basis dropped 29 percent as a result of higher production rates in existing fields and effective cost control programs.

General and Administrative Expenses

General and administrative expenses rose during 1994 , which includes an offset in operator recoveries. Overhead was higher during the year as the financial accounting and land management were computerized and additional consultants were retained on a daily basis to assist in the day-to-day management.

Corporate policy requires that overhead not exceed 16 percent of operating income. In 1994, overhead as a percent of operating income was 6.1 percent. Average cost of general and administrative expenses was down on a per barrel of oil equivalent produced primarily as a result of higher production.

General and Administrative Expenses

Year Ended September 30	1994	1993
Expenses	$ 150,370	$ 49,871
Average Cost per BOE	$ 0.83	$ 1.49

Interest and Financial Expenses

Interest and financial expenses doubled in 1994 as a result of a full year interest on a credit facility of $2.0 million. Debt did not increase over the prior year as the capital budget and additional acquisitions were financed out of cash flow and proceeds of a $3.0 million equity issue of 5,454,545 common shares from treasury.

Interest and Financial Expenses

Year Ended September 30	1994	1993
Interest and Financial Expenses	$ 219,789	$ 108,820
Average Cost per BOE	$ 1.21	$ 3.25
Debt Outstanding at Year End	$ 2,016,023	$2,386,835

Depletion, Depreciation and Site Restoration

Depletion, depreciation and site restoration expense increased in 1994 due to higher production volumes. On a BOE basis, however, these expenses were five percent lower.

Depletion, Depreciation and Site Restoration

Year Ended September 30	1994	1993
Depletion and Depreciation	$986,784	$199,620
Site Restoration	$63,980	$4,220
Total	$1,050,764	$203,840
Average Cost per BOE	$5.78	$6.09

Depletion and depreciation expense is an accounting measure of our finding and onstream costs and is calculated using the ratio of capital costs to proven reserves. Capital costs include the net book value of historical costs incurred and estimated future expenditures to develop the proven reserves less the estimated net realizable value of production equipment and facilities after the proven reserves are fully developed.

Site restoration expense is the provision for estimated future costs to abandon and reclaim producing or previously producing wells and facilities. The current year provision of $63,980 is based on the ratio of 1994 production volumes to proven reserves. At September 30, 1994 our estimated future site restoration costs to be expensed against future year's production volumes amounted to $646,000.

Deferred Income Tax

Our provision for deferred income tax increased to $223,433, reflecting the significant improvement in our pretax income. Tax pools available for income tax purposes totalled $7,320,633 at September 30, 1994. The Company's effective tax rate increased to 21.3 percent in 1994 from 7.0 percent in 1993.

Cash Flow and Net Income

Cash flow from operations in 1994 increased from $275,226 to $2.1 million, while net income after tax rose from $66,300 to $825,364. These gains resulted from increased production volumes, lower operating costs and relatively stable oil and natural gas prices.

Cash flow per share increased to 19.8 cents from 7.5 cents, while earnings per share rose to 7.8 cents from two cents. During the year, the cash flow was higher on a per barrel of oil equivalent produced, as a result of higher production volumes and more efficient operations. Similarly, net income on a per barrel of oil equivalent produced more than doubled.

Cash Flow and Net Income

Year Ended September 30	1994	1993
Cash Flow from Operations	$ 2,099,561	$275,226
per share	$ 0.198	$ 0.075
average / BOE	$ 11.54	$ 8.22
Net Income After Tax	$ 825,364	$ 66,300
per share	$ 0.078	$ 0.018
average / BOE	$ 4.54	$ 1.98

Liquidity and Capital Reserves

For the fiscal year ended, September 30, 1994, the Company spent approximately $5.8 million dollars on acquisitions and further development of its oil and gas properties. These expenditures were primarily financed from cash flow ($2.0 million) and an equity issue (net proceeds of $2.7 million).

At September 30, 1994, the Company had a working capital deficit amounting to approximately $981,000 and a bank loan of $2,016,000. Subsequent to year end, the bank facility was increased by $500,000 to $3.5 million. The balance available under this facility plus the Company's projected cash flow for the next year will be used to finance $3.6 million of capital expenditures. Approximate allocation of the capital expenditures is 40 percent to acquisitions, 30 percent to development drilling and recompletions, 20 percent to facilities and 10 percent to exploration. The Company's capital budget

is flexible to cancel projects if economics change or to take advantage of immediate opportunities. Funding for extraordinary expenditures is available through a combination of equity and bank financing.

Business Risks

The oil and gas industry is subject to risks not only in the finding and developing of petroleum and natural gas reserves, but also in the commodity price received for such reserves. Vintage attempts to mitigate these business risks by:

- Having assets in several diverse fields;
- Maintaining cost-efficient operations;
- Maintaining a balance between oil and natural gas properties;
- Being operator to control amount and timing of capital expenditures;
- Using new technology to maximize production and recoveries and to reduce operating costs;
- Restricting operations to Central and Southern Alberta where areas are accessible, operating and capital costs are reasonable and onstream time is shorter;
- Drilling wells in areas with multiple high deliverability zone potential.

Outlook

A full year of production from the 1994 acquisitions and increased production resulting from the 1994 capital expenditure program is expected to give increased operating income in 1995. This higher operating income will occur in spite of lower commodity prices for natural gas which have been low during the last quarter of 1994. The majority of our natural gas has been contracted through Pan Alberta Gas Ltd. and Western Gas Marketing, giving us stability in our natural gas revenue.

We do not foresee significant increases in general and administrative costs nor in interest and financing costs. Depletion, depreciation and site restoration costs are expected to remain constant at $5.80 per BOE. However, we do foresee a continuing improvement in operating costs resulting in cash flow from operations on a per barrel of oil equivalent to be the same or better than the $11.54 per BOE achieved in 1994.

We intend to actively pursue oil property acquisition opportunities to help diversify our production base. Other acquisitions, development drilling and facility expenditures will be pursued to maximize the efficiency of our existing facilities. Finally, the exploration portion of the budget will be spent on smaller working interests in several higher risk/reward exploration projects.

MANAGEMENT'S REPORT

Management takes responsibility for the preparation of these financial statements in accordance with accounting principles generally accepted in Canada. The financial and operating information included in this report is consistent with the financial statements.

Management has a system of internal controls to ensure that all assets are safeguarded and that timely and relevant financial information is prepared and made available.

The Company's auditors, McRae Gladstone Gillies, have examined these financial statements in accordance with generally accepted accounting principles. Their report is included herein.

The Company's Audit Committee, which includes non-management directors of the Company, has reviewed these financial statements and has reported to the Board of Directors. These financial statements have been approved by the Board of Directors.

Lloyd Driscoll
President, Chairman
and Chief Operating Officer
January 4, 1995

George Paulus
Chief Financial Officer
and Secretary-Treasurer

AUDITORS' REPORT

To the Shareholders of Vintage Resource Corp.

We have audited the balance sheet of Vintage Resource Corp. as at September 30, 1994 and 1993 and the statements of income and retained earnings and changes in financial position for the years ended September 30, 1994 and 1993. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at September 30, 1994 and 1993 and the results of its operations and the changes in its financial position for the years ended September 30, 1994 and 1993 in accordance with generally accepted accounting principles.

McRae Gladstone Gillies

CHARTERED ACCOUNTANTS

CALGARY, ALBERTA
DECEMBER 20, 1994

BALANCE SHEET

AS AT SEPTEMBER 30, 1994 AND 1993

ASSETS

	1994	1993
Current		
Cash	$ 2,589	$ 2,609
Accounts receivable	636,705	294,572
Deposits	90,718	21,673
	730,012	318,854
Fixed (note 2)		
Oil and gas property and equipment	9,240,013	5,317,156
Office furniture and equipment	24,568	–
	9,264,581	5,317,156
Less: Accumulated depletion and depreciation	1,186,404	199,620
	8,078,177	5,117,536
Deferred finance charges	103,501	77,500
	$8,911,690	$5,513,890

LIABILITIES

Current		
Accounts payable and accrued liabilities	$1,711,058	188,600
Agreement payable (note 3)	–	1,894,161
Note payable	–	15,000
	1,711,058	2,097,761
Bank loan (note 4)	2,016,203	2,082,740
Advances from directors (note 10)	–	304,095
Deferred site restoration (note 2)	64,862	4,222
Deferred income taxes (note 2 & 8)	228,517	5,084
	4,020,640	4,493,902

SHAREHOLDERS' EQUITY

Share capital (note 5)	3,999,386	953,688
Retained earnings	891,664	66,300
	4,891,050	1,019,988
	$8,911,690	$5,513,890

APPROVED ON BEHALF OF THE BOARD

Director

Director

VINTAGE RESOURCE CORP.

STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED SEPTEMBER 30, 1994 AND 1993

	1994	1993
Revenue		
Oil and gas revenue	$ 3,786,358	$ 748,776
Less: Royalties	255,576	39,121
	3,530,782	709,655
Expenses		
Production and operating	1,061,062	275,738
Long-term interest and finance costs	219,789	108,820
General and administrative	150,370	49,871
Depletion and depreciation	986,784	199,620
Site restoration and abandonment	63,980	4,222
	2,481,985	638,271
Income before income taxes	1,048,797	71,384
Provision for income taxes	223,433	5,084
Net income for the year (note 6)	825,364	66,300
Retained earnings, beginning of year	66,300	–
Retained earnings, end of year	$ 891,664	$ 66,300

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 1994 AND 1993

	1994	1993
Operating activities		
Net income for the year	$ 825,364	$ 66,300
Non-cash items		
Depreciation and depletion	986,784	199,620
Site restoration and abandonment	63,980	4,222
Deferred income taxes	223,433	5,084
Cash flow from operations	2,099,561	275,226
Changes in non-cash working capital items	1,107,940	(113,731)
	3,207,501	161,495
Financing activities		
Agreement payable	(1,894,161)	1,894,161
Note payable	(15,000)	15,000
Advances from shareholders	(304,095)	304,095
Issuance of share capital	3,334,675	1,031,100
Share issue costs	(288,977)	(118,181)
Deferred finance charges	(26,001)	(77,500)
Bank loan	(66,537)	2,082,740
	739,904	5,131,415
Investing activities		
Additions to oil and gas properties and equipment	(3,922,857)	(5,317,156)
Additions to office furniture and equipment	(24,568)	–
	(3,947,425)	(5,317,156)
Decrease in cash	(20)	(24,246)
Cash, beginning of year	2,609	26,855
Cash, end of year	$ 2,589	$ 2,609

VINTAGE RESOURCE CORP.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 1994 AND 1993

1.NATURE OF BUSINESS

The company was incorporated in the Province of Alberta as a Junior Capital Pool on September 27, 1991. The company completed its required major transaction by acquiring oil and gas properties effective March 1, 1993.

2.SIGNIFICANT ACCOUNTING POLICIES

a) Oil and Gas Properties

The Corporation follows the full cost method of accounting whereby all costs of exploration for and development of oil and gas reserves are capitalized. Such costs include lease acquisition costs, geological and geophysical expenditures, carrying charges on non-producing properties, costs of drilling both productive and non-productive wells and overhead expenses related to exploration activities. All recoveries of costs through sale of petroleum and natural gas properties, drilling incentive credits and petroleum incentive payments are credited against the costs of oil and gas properties. Gains or losses are only recognized when a significant portion of the corporation's reserves are disposed of.

Costs are amortized using the unit of production method based upon proven developed reserves derived from reports prepared by independent consultants and by management.

Oil and natural gas reserves are converted into equivalent units based upon estimated relative energy content.

In applying the full cost method, the Corporation calculates a cost centre ceiling which restricts the capitalized costs less accumulated depletion and depreciation from exceeding an amount equal to the estimated future net revenues from proven reserves (after adjusting for estimated future general and administration costs and corporate income taxes, if any) plus the lower of cost and estimated fair value of the Corporation's undeveloped acreage.

b) Joint Venture

Substantially all the exploration and development activities related to oil and gas are conducted jointly with others. These financial statements reflect only the Corporation's proportionate interest in such activities.

c) Deferred Income Taxes

The Corporation records income taxes on the tax allocation basis. Deferred income taxes result primarily from claiming exploration and development costs and capital cost allowance for income tax purposes in excess of the related depletion and depreciation recorded in the financial statements.

d) Fixed assets

Other fixed assets are recorded at cost and depreciation is provided using the straight line method of 20%.

e) Site restoration

A provision is established for estimated future costs of site restoration of and oil and gas production interests, including the removal of production facilities at the end of their useful life. Costs are based on management's estimates of the anticipated method and extent of site restoration. The annual charge, determined on the same basis as the depletion and depreciation of the underlying asset, is included in depletion and depreciation.

3.AGREEMENT PAYABLE

Effective July 1, 1993 the company entered into an agreement to acquire certain interests in oil and gas properties and associated plant and gas gathering systems. Closing date of the purchase and payment of all funds due occurred on December 7, 1993.

4. BANK LOAN

The revolving bank loan with a Canadian Chartered Bank has an authorized limit of $3,000,000 of which $2,016,203 is being utilized as at September 30, 1994. The committed line of credit reduces as follows:

September 1994 to December 31, 1994 - $100,000 per month
January 31, 1995 to December 31, 1995 - $75,000 per month
January 31, 1996 to December 31, 1996 - $50,000 per month

The remaining principal portion becomes due and payable 90 days thereafter. Interest accruing on the loan is calculated at the bank's prime lending rate plus 1%. The bank loan is secured by a first floating charge debenture over the assets of the business.

5.SHARE CAPITAL

The company is authorized to issue an unlimited number of common shares. Changes in the number of outstanding common shares and their aggregate stated value is as follows:

	1994		1993	
	NUMBER OF SHARES	$	NUMBER OF SHARES	$
Balance, beginning of year	6,552,555	1,081,100	1,800,000	50,000
Shares issued for cash	5,454,545	3,000,000	1,750,000	275,000
Options exercised for cash	105,000	57,750	627,000	92,100
Shares issued for services	491,374	276,925	180,000	90,000
Flow through shares issued for cash	–	–	1,395,555	240,000
Shares issued for oil & gas properties	–	–	800,000	334,000
	12,603,474	4,415,775	6,552,555	1,081,100
Share issue costs	–	416,389	–	127,412
	12,603,474	3,999,386	6,552,555	953,688

The company renounced the oil and gas expenditures incurred on specific properties directly to the holders of the flow-through shares referred to above up to the amount of proceeds received therefrom.

6. EARNINGS PER SHARE

Earnings per share have been calculated using the weighted monthly average number of shares outstanding during the period.

	1994	1993
Earnings per share	$.077	$.018

The calculation of pro-forma earnings per share for the year ended September 30, 1993 was $.02 and assumed that the public offering of 5,454,545 common shares had taken place prior to the 1993 year end.

7. MAJOR TRANSACTION

As at March 1, 1993 the company completed a purchase of oil and gas properties qualifying as a Major Transaction under the Alberta Stock Exchange Policy 4.11.

The purchase from Deena Explorations Ltd. for a total consideration of $189,000 was financed as follows:

Cash	$125,000
Issuance of 200,000 common shares	34,000
Issuance of note payable	30,000
	$189,000

8. INCOME TAXES

The company's income tax rate is determined as follows:

	1994	1993
Combined Canadian federal and provincial income tax rate	44.3	44.3
Increase (decrease) in income taxes resulting from:		
Federal resource allowance	(22.4)	(30.2)
Alberta Royalty Tax Credit	(6.7)	(10.4)
Non-deductible crown royalties and lease	8.6	17.8
Share issuance costs	(3.5)	(15.8)
Other	1.0	1.3
	21.3%	7.0%

As at September 30, 1994, the following deductions were available for income tax purposes:

	Amount	Maximum Annual Rate of Claim
Canadian exploration expense	$ 352,212	100%
Canadian development expense	961,844	30%
Canadian oil and gas property expense	5,435,239	10%
Undepreciated capital cost	571,338	20-30%
	$ 7,320,633	

9. STOCK OPTIONS

The company has reserved for issuance to directors and officers of the company stock options as follows:

Issue Date	# of Shares	Exercise Price	Expiry Date
June 18, 1993	655,000	.50	April 30, 1998
March 1, 1994	450,000	.55	March 1, 1999

The company has reserved additional shares as options for services as follows:

December 7, 1993	295,000	.55	December 7, 1994

10. RELATED PARTY TRANSACTIONS

1993

a) During December 1992, the company issued a private placement of 555,555 flow-through shares for total proceeds of $100,000 to a director of the corporation.

b) On April 8, 1993 the company issued 180,000 common shares to the directors of the company at a deemed consideration of $.50 per share as compensation for providing joint and several guarantees on an established line of credit with its bank in the amount of $150,000.

1994

a) Certain directors had advanced funds to the company during 1993, totalling $304,095. These advances carried no interest and were repaid in full during 1994.

b) The company issued 413,874 common shares to the directors and officers of the company at issue prices ranging from $.52 to $.60 per share.

CORPORATE INFORMATION

Head Office

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Board of Directors

Lloyd Driscoll
George Funke
Peter Kutney
George Paulus

Officers

Lloyd Driscoll
President

George Paulus
Chief Financial Officer

Auditors

McRae Gladstone Gilllies
Chartered Accountants
Calgary, Alberta

Solicitors

Blake Cassels Graydon
Barristers & Solicitors
Calgary, Alberta

Bankers

Bank of Nova Scotia
Calgary, Alberta

Transfer Agent & Registrar

Montreal Trust Company of Canada
Calgary, Alberta

Stock Exchange Listing

The Alberta Stock Exchange
Symbol: VRU

Abbreviations

BBLS	barrels
MBBLS	thousand barrels
BCF	billion cubic feet
BOE	barrels of oil equivalent 10 MCF = 1 barrel of oil
BOPD	barrels of oil per day
MCF	thousand cubic feet
MMCF	million cubic feet
/D	per day

Annual Meeting

The annual general meeting of shareholders will be held on Tuesday, February 21, 1995, at 3:00 p.m. in the auditorium, Bankers Hall, at 315 - 8th Avenue S.W. , Calgary, Alberta.

Designed/Produced by the Merlin Creative Group Inc.

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